

October 2003



North Dakota

# REV-E-NEWS

**From Pam Sharp, Director  
Office of Management and Budget  
600 E. Blvd. Ave. , Dept 110 - Bismarck, ND 58505-0400**

At the national level, economists report continued economic recovery. In North Dakota, state revenue collections indicate an improving state economy as well. Revenues for September were 13.1 percent more than expected; biennium to date revenues are nearly 4 percent higher than anticipated, excluding the effect of federal fiscal relief payments.

*Economy.com* has reported that gross domestic product (GDP) grew at an annualized rate of 5.3 percent during the third quarter of 2003, considerably higher than the first and second quarter growth rates of 1.4 percent and 3.3 percent, respectively. GDP is expected to remain strong with a growth rate of nearly 4 percent for 2004. *Economy.com* continues to express concerns regarding the job market and qualifies predictions of future economic recovery on an improved job market.

Nationally, the September 2003 unemployment rate was 6.1 percent, up from the September 2002 rate of 5.7 percent. North Dakota's August 2003 unemployment rate was only 3.8 percent, a decrease from the August 2002 rate of 4.1 percent.

A recent report by the Rockefeller Institute of Government showed that North Dakota realized a 6.1 percent growth in state tax revenues in 2003, significantly above the national average of 2.3 percent and the highest growth rate of any state in the region. *Economy.com* predicts that state revenues will continue to improve, growing at an average rate of 4.2 percent during 2004.

North Dakota ranked fifth in the nation in personal income growth for the second quarter of 2003, following Washington, Montana, South Dakota, and Nebraska. The strong personal income growth in the plains states is the result of farm income.

## Oil Activity

Oil production in North Dakota was approximately 79,206 barrels per day during August, down slightly from July average production of 79,536 barrels per day. The number of oil rigs operat-

ing in the state is currently 18, compared with 10 oil rigs one year ago.

The current Tesoro posted price for oil is approximately \$25 per barrel.

## GFOA Award

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded the Certificate of Achievement for Excellence in Financial Reporting to the Office of Management and Budget for its comprehensive annual financial report (CAFR) for fiscal year 2002. This is the highest form of recognition in the

area of governmental and financial reporting and its attainment represents a significant accomplishment by a government and its management.

This is the twelfth consecutive year the State of North Dakota has received the award, and is the first CAFR prepared under the requirements of the GASB34.

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
***Compared to the Legislative Forecast***  
**2003-05 BIENNIUM**  
**September 2003**

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2003 Forecast	Actual	Variance	Percent	March 2003 Forecast	Actual	Variance	Percent
Sales Tax	23,026,000	30,228,019	7,202,019	31.3%	75,860,000	83,191,768	7,331,768	9.7%
Motor Vehicle Excise Tax	5,695,000	5,552,093	(142,907)	-2.5%	16,277,000	16,813,323	536,323	3.3%
Individual Income Tax	10,214,000	10,084,455	(129,545)	-1.3%	46,015,000	45,589,039	(425,961)	-0.9%
Corporate Income Tax		30,999	30,999	100.0%		123,391	123,391	100.0%
Insurance Premium Tax	1,450,000	1,224,193	(225,807)	-15.6%	3,350,000	3,198,612	(151,388)	-4.5%
Financial Institutions Tax		34,077	34,077	100.0%		104,720	104,720	100.0%
Oil & Gas Production Tax	1,994,000	1,355,502	(638,498)	-32.0%	6,061,000	5,891,913	(169,087)	-2.8%
Gaming Tax	300,000	27,820	(272,180)	-90.7%	2,800,000	2,180,312	(619,688)	-22.1%
Interest Income	371,000	79,414	(291,586)	-78.6%	963,000	207,273	(755,727)	-78.5%
Oil Extraction Tax	1,351,000	1,263,377	(87,623)	-6.5%	4,108,000	3,726,065	(381,935)	-9.3%
Cigarette & Tobacco Tax	1,728,000	1,793,398	65,398	3.8%	5,100,000	5,023,116	(76,884)	-1.5%
Departmental Collections	2,000,000	3,242,258	1,242,258	62.1%	10,099,750	11,833,965	1,734,215	17.2%
Wholesale Liquor Tax	501,000	448,999	(52,001)	-10.4%	1,570,000	1,548,725	(21,275)	-1.4%
Coal Conversion Tax	2,083,000	2,148,071	65,071	3.1%	6,143,000	6,309,272	166,272	2.7%
Mineral Leasing Fees	(70,000)	(54,823)	15,177	-21.7%	630,000	731,076	101,076	16.0%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					174,525	174,525	-	0.0%
Other Transfers	1,500,000	1,500,000	-	0.0%	13,410,000	13,422,291	12,291	0.1%
<b>Total</b>	<b>52,143,000</b>	<b>58,957,852</b>	<b>6,814,852</b>	<b>13.1%</b>	<b>192,561,275</b>	<b>200,069,385</b>	<b>7,508,110</b>	<b>3.9%</b>
Federal Fiscal Relief Payments						25,000,000	25,000,000	100.0%
<b>Total Revenues and Transfers</b>	<b>52,143,000</b>	<b>58,957,852</b>	<b>6,814,852</b>	<b>13.1%</b>	<b>192,561,275</b>	<b>225,069,385</b>	<b>32,508,110</b>	<b>16.9%</b>

**COMPARISON TO PREVIOUS BIENNIUM REVENUES**  
**2003-05 BIENNIUM**  
**September 2003**

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	September 2001	September 2003	Variance	Percent	2001-03	2003-05	Variance	Percent
Sales Tax	17,878,655	30,228,019	12,349,364	69.1%	71,040,411	83,191,768	12,151,357	17.1%
Motor Vehicle Excise Tax	4,730,794	5,552,093	821,299	17.4%	14,710,647	16,813,323	2,102,676	14.3%
Individual Income Tax	10,915,041	10,084,455	(830,586)	-7.6%	43,681,005	45,589,039	1,908,034	4.4%
Corporate Income Tax	90,483	30,999	(59,484)	-65.7%	169,992	123,391	(46,601)	-27.4%
Insurance Premium Tax	659,984	1,224,193	564,209	85.5%	2,191,459	3,198,612	1,007,153	46.0%
Financial Institutions Tax	55,777	34,077	(21,700)	-38.9%	182,548	104,720	(77,828)	-42.6%
Oil & Gas Production Tax*	812,227	1,355,502		0.0%	4,771,946	5,891,913	1,119,967	23.5%
Gaming Tax	346,134	27,820	(318,314)	-92.0%	2,972,165	2,180,312	(791,853)	-26.6%
Interest Income	603,460	79,414	(524,046)	-86.8%	1,451,026	207,273	(1,243,753)	-85.7%
Oil Extraction Tax*	694,499	1,263,377		0.0%	2,770,068	3,726,065	955,997	34.5%
Cigarette & Tobacco Tax	1,925,211	1,793,398	(131,813)	-6.8%	5,612,739	5,023,116	(589,623)	-10.5%
Departmental Collections	2,232,045	3,242,258	1,010,213	45.3%	10,862,684	11,833,965	971,281	8.9%
Wholesale Liquor Tax	488,158	448,999	(39,159)	-8.0%	1,447,601	1,548,725	101,124	7.0%
Coal Conversion Tax	1,968,684	2,148,071	179,387	9.1%	5,700,675	6,309,272	608,597	10.7%
Mineral Leasing Fees	(117,140)	(54,823)	62,317	-53.2%	648,001	731,075	83,074	12.8%
Bank of North Dakota-Transfer							-	
State Mill & Elevator-Transfer			-				-	
Gas Tax Admin-Transfer					170,424	174,525	4,101	2.4%
Other Transfers	45	1,500,000	1,499,955	100.0%	62,383	13,422,291	13,359,908	21415.9%
Total	43,284,057	58,957,852	15,673,795	36.2%	168,445,774	200,069,385	31,623,611	18.8%
Federal Fiscal Relief Payments						25,000,000	25,000,000	100.0%
Total Revenues and Transfers	43,284,057	58,957,852	15,673,795	36.2%	168,445,774	225,069,385	56,623,611	33.6%

# Revenue Variances

September revenues exceeded projections by \$6.8 million, or over 13 percent.

Sales tax collections were exceptionally strong, exceeding the monthly forecast by \$7.2 million.

Oil production taxes fell short of projections by over \$600,000, or 32 percent. Despite higher than anticipated oil prices, production is lagging the forecast level by approximately 7 percent, resulting in a shortfall in state production tax collections. Additionally, the timing of Tax Department oil tax audit collections has resulted in fewer collections than expected during the first quarter of the biennium.

Gaming tax collections fell far short of projections due primarily to a reduction in pari-mutuel gaming by certain high volume bettors.

Departmental collections exceeded projections by \$1.2 million, or 62.1 percent. This increase resulted in part from the annual transfer from the in-

surance regulatory trust fund exceeding projections by approximately \$500,000.

The July and August newsletters showed federal fiscal relief payments as part of departmental collections. In order to avoid confusion, the federal fiscal relief payments will now be shown separately after all regular state revenues and transfers.

The September statement reflects the \$25 million received in July; however, in October the state received the remaining federal payment of \$25 million. Consequently, the entire \$50 million will be reflected on the October statement.

## Comments or Questions???

Call

Pam Sharp, Director

Phone: 701-328-4904

Fax : 701-328-3230

E-mail : [sfranklin@state.nd.us](mailto:sfranklin@state.nd.us)

Visit the North Dakota web site at  
[www.discovernd.com](http://www.discovernd.com)

Office of Management and Budget  
600 East Blvd. Ave., Dept 110  
Bismarck, ND 58505-0400

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